

From: Guillot, Brian <bguill1@entergy.com>

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To: 'Councilmember Helena Moreno' (morenocouncil@nola.gov) <morenocouncil@nola.gov>; Helena.Moreno@nola.gov; 'Councilmember Joseph L. Giarrusso III' (Joseph.Giarusso@nola.gov) <Joseph.Giarusso@nola.gov>; Councilmember Kristin Palmer <kristin.palmer@nola.gov>; 'Councilmember Cyndi Nguyen' (Cyndi.Nguyen@nola.gov) <Cyndi.Nguyen@nola.gov>; Councilmember Jason Williams <jasonwilliams@nola.gov>; Councilmember Jay H. Banks <jay.banks@nola.gov>; Jared C. Brossett <jcbrossett@nola.gov>

Cc: 'Andrew V. Tuozzolo' <avtuozzolo@nola.gov>; Kdlampkin@nola.gov; dcdickerson@nola.gov; tguerir@nola.gov; Amanda B. Rizzo <Amanda.Rizzo@nola.gov>; andrew.sullivan@nola.gov; jarvis.lewis@nola.gov; Raymond, Tara <tledet@entergy.com>; MAURICE-ANDERSON, ALYSSA <amauric@entergy.com>; CRAGIN, TIMOTHY S <tcragin@entergy.com>; Erin Spears (espears@nola.gov) <espears@nola.gov>; 'Clinton A. Vince' <clinton.vince@dentons.com>; Joseph W. Rogers (jrogers@ergconsulting.com) <jrogers@ergconsulting.com>

Subject: Summary of ENO's Settlement Proposal

Councilmembers,

The Company remains willing to enter into a reasonable settlement in the rate case that will benefit all customers. Also, we would be willing to extend the deadline to implement rates until January to give the parties more time to discuss, develop, and present to you a settlement that has been thoroughly considered. I write now to summarize the key points of our current settlement offer, which we believe is in the best interest of the entire City. ENO's proposal:

- **Lowers bills** for typical residential users
- **Lowers ENO's ROE** from 11.1% to 10%
- **Increases revenue reduction by \$33.5 million**, up from ENO's proposed \$30 million contained in our Path to Progress
- **Provides up to \$75 million to assist the New Orleans Sewerage and Water Board** with projects that they need, specifically a transmission level substation to transition their system to ENO power and a back-up generation option for times when they need to power their own systems (*i.e.*, hurricane), subject to appropriate approvals and cost recovery to be discussed.
- **Allocates \$100 million in reliability spending** to reduce outages over the next **5 years through 7 specific actions**, subject to appropriate approvals and cost recovery to be discussed
- **Includes \$1 million in ENO shareholder funded reliability projects** in 2020 to settle the reliability docket
- Makes significant concessions to the Crescent City Power Users Group, such as **extending the depreciation rates to 35 years on Union Power Block One and New Orleans Power Station** (a compromise that would lower expenses while not creating a situation where our customers could potentially pay for an asset in the future that will no longer be used or useful)

Our current proposal is specific and is intended to jump-start settlement discussions to improve upon the resolution passed through the utility committee. ENO cannot offer these benefits and others if its financial condition is compromised; and it is not a good option to simply have ENO file another rate case next year. Under that scenario, customers would be forced to pay the cost of another rate case (\$7 million dollars)—a cost that can absolutely be avoided if the Council approves a reasonable deal now. The Company remains willing to negotiate; and to work out a result that is beneficial to all stakeholders.

Brian L. Guillot
Vice President, Regulatory Affairs
Entergy New Orleans, LLC
1600 Perdido Street
New Orleans, La 70112
Direct: 504.670.3680